



# Copia Capital Management

## The art of portfolio construction



# Quarterly Performance Update

30 September 2017

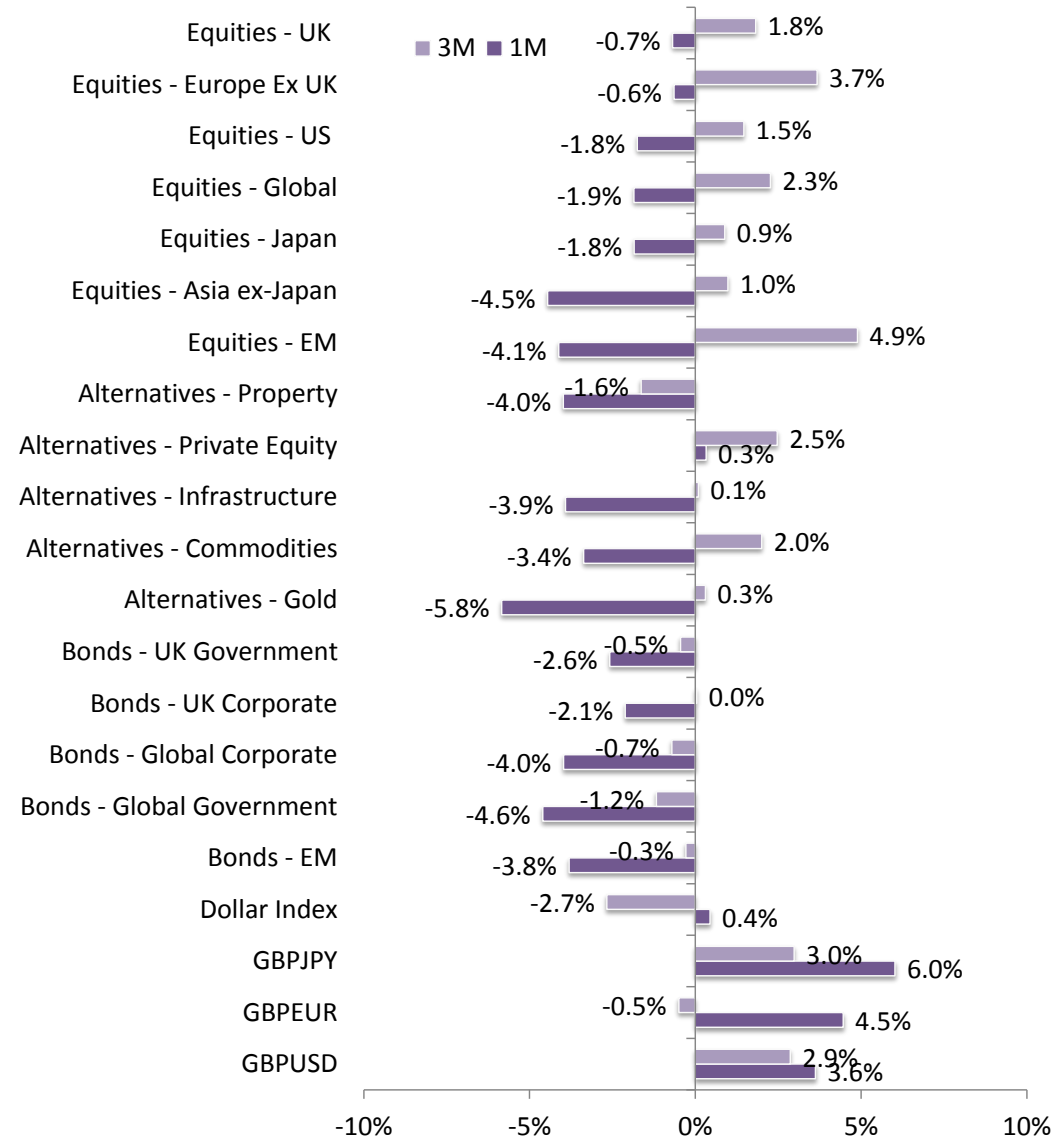
For professional investors only

**Market performance**  
Macro update  
Risk barometer  
Portfolio performance  
Outcome charts

## Market performance

- ◆ Bank of England stole the spotlight in Q3, 2017 as it cited robust economic growth in the UK and indicated a possible rate hike in coming few months. Pound rallied against the US Dollar, ending the quarter up 2.9%. The export oriented UK large cap was up 1.8%, while the more domestic oriented UK Mid/small cap was up 3.93%.
- ◆ US Equities continued to make life time highs as the economy fired on all cylinders with annualised GDP growth clocking at 3%. US equities were up 4.4% but up in GBP terms by 1.5%.
- ◆ Although tensions are high with North Korea being more capable of a nuclear missile strike, emerging market equities including South Korea have rallied on positive global growth expectations, EM equities were up 4.9% being the best performer.
- ◆ Growth in Europe, Japan and across the world continues to be strong and is showing no sign of slowing down.

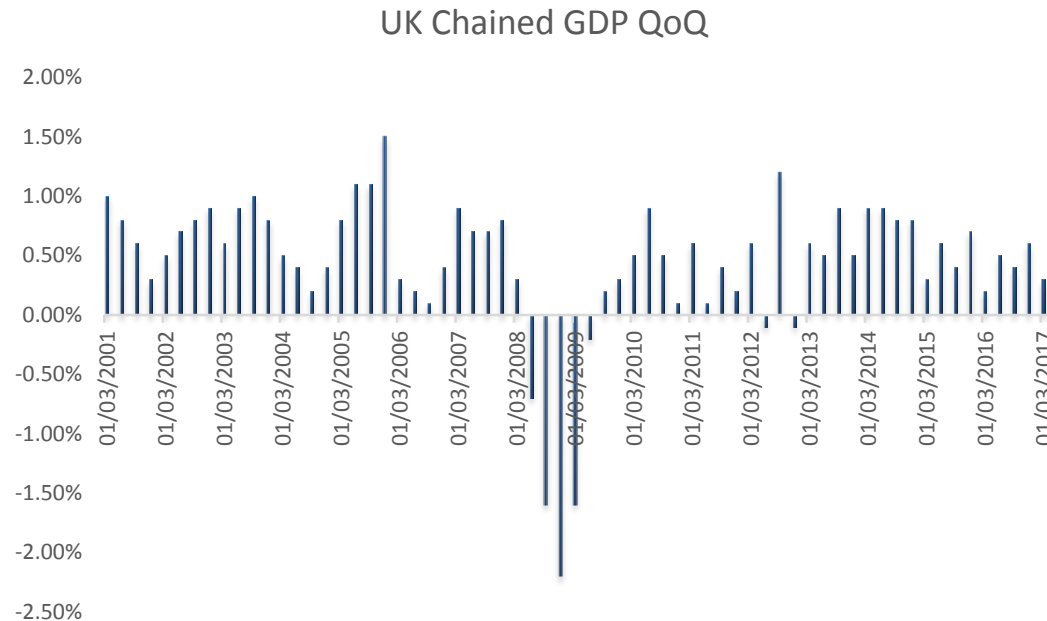
## Market performance



Market performance  
**Macro update**  
Risk barometer  
Portfolio performance  
Outcome charts

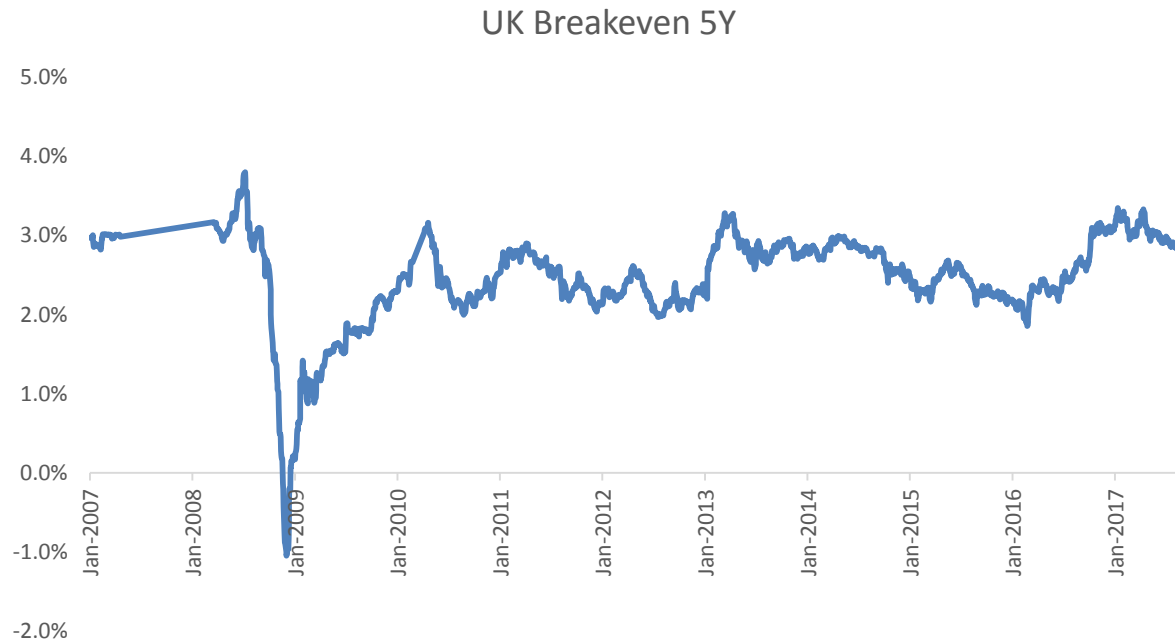
## UK growth remains sluggish

- ◆ The UK economy continued to expand with the growth rate remaining steady between 0.2% and 0.7% QoQ or 1.5% and 2% YoY.
- ◆ Although sluggish, the economy has avoided a recession that could have been caused due to Brexit uncertainty.
- ◆ Unemployment rate in the UK is at its lowest since 1975 at 4.3%.



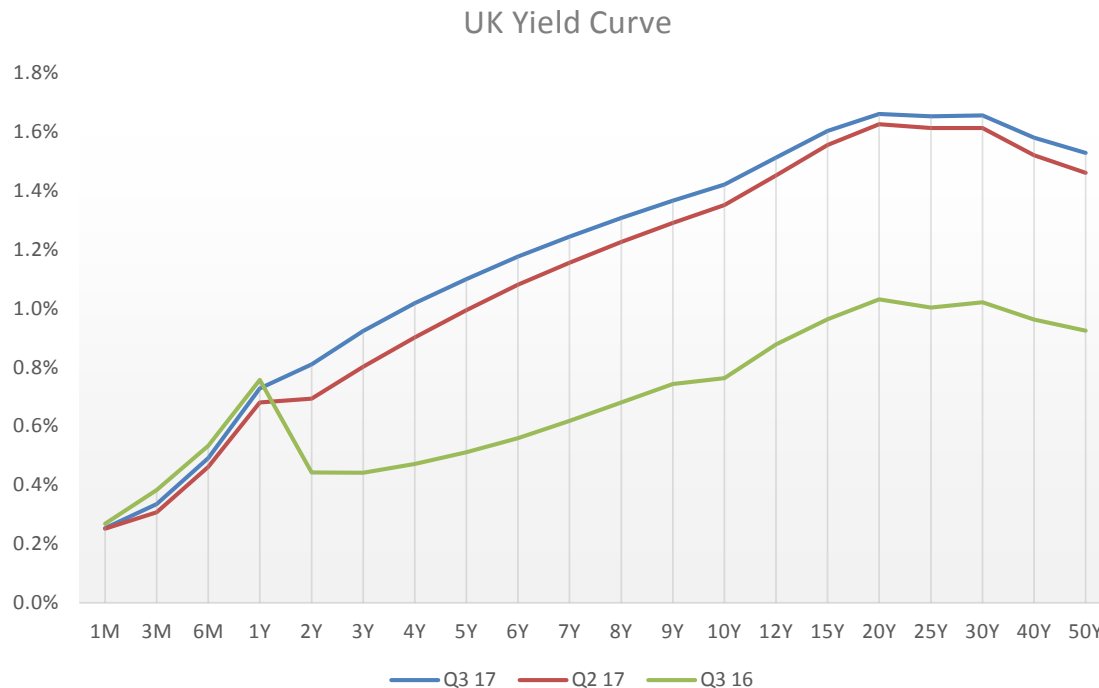
## Inflation expectations remain high

- ◆ Latest CPI reading in the UK came in at 2.9% inching closer to BOE's 3% upper tolerance limit as economy grows steadily and a weaker Pound Sterling pushed inflation higher.
- ◆ Business confidence remains positive with the latest reading at +5, as manufacturers are upbeat about prospects for overall demand.
- ◆ The Bank of England maintains a cautious outlook as risks emerge from Brexit negotiations but has improved its economic outlook for the country and has hinted on raising rates in the coming few months to combat inflation.



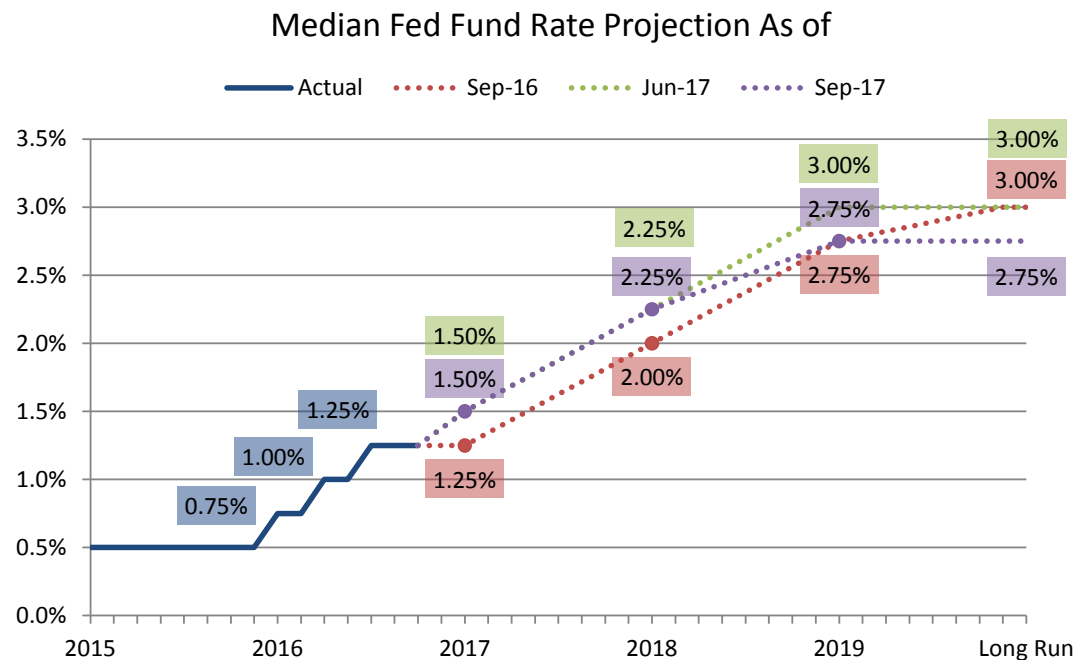
### Normal shaped yield curve

- ◆ With inflation expectations rising and Bank of England suggesting a rate hike in the near term, the UK Yield Curve experienced a parallel shift higher as rates across most maturities increased from Q3, 2016 to Q3, 2017.
- ◆ 10 year bond yield is at 1.4% end of Q3, 2017, higher marginally compared to 1.35% in Q2, 2017.
- ◆ A normal shaped yield curve supports a positive outlook for UK equity markets and showing no signs of an impending recession as Brexit uncertainty remains.



## The Fed Rate Hikes continue

- ◆ US Fed left rates unchanged at 1.25% and confirmed the Fed's balance sheet of \$4 trillion will begin to normalise in October 2017.
- ◆ Policymakers also kept forecasts unchanged for another rate hike to end the year at 1.5%. The Fed Fund Rate currently stands at 1.25%.
- ◆ 2018 rate guidance remains unchanged from previous quarter but forecast for 2019 and beyond have dropped from 3% to 2.75%, indicating long term normalisation rate may need to be slightly lower than 3%.



Source: Bloomberg, Copia Capital Management



Market performance  
Macro update  
**Risk barometer**  
Portfolio performance  
Outcome charts

## Risk barometer

- Based on our proprietary Prediction Algorithm the Copia Risk Barometer is now reading +0.70 as of 30-Sep-2017, compared to +0.75 on 30-Jun-2017. Although a marginal drop, the global economic outlook continues to be positive.



**The Risk Barometer is a measure of economic outlook across asset classes.**

**-1.0**

A score of -1.0 indicates an extremely poor economic outlook, which is accompanied by a high probability of negative returns in risky asset classes like equities. These periods are typically recessionary periods in the business cycle. The Risk Barometer tilts our portfolios away from equities during such periods.

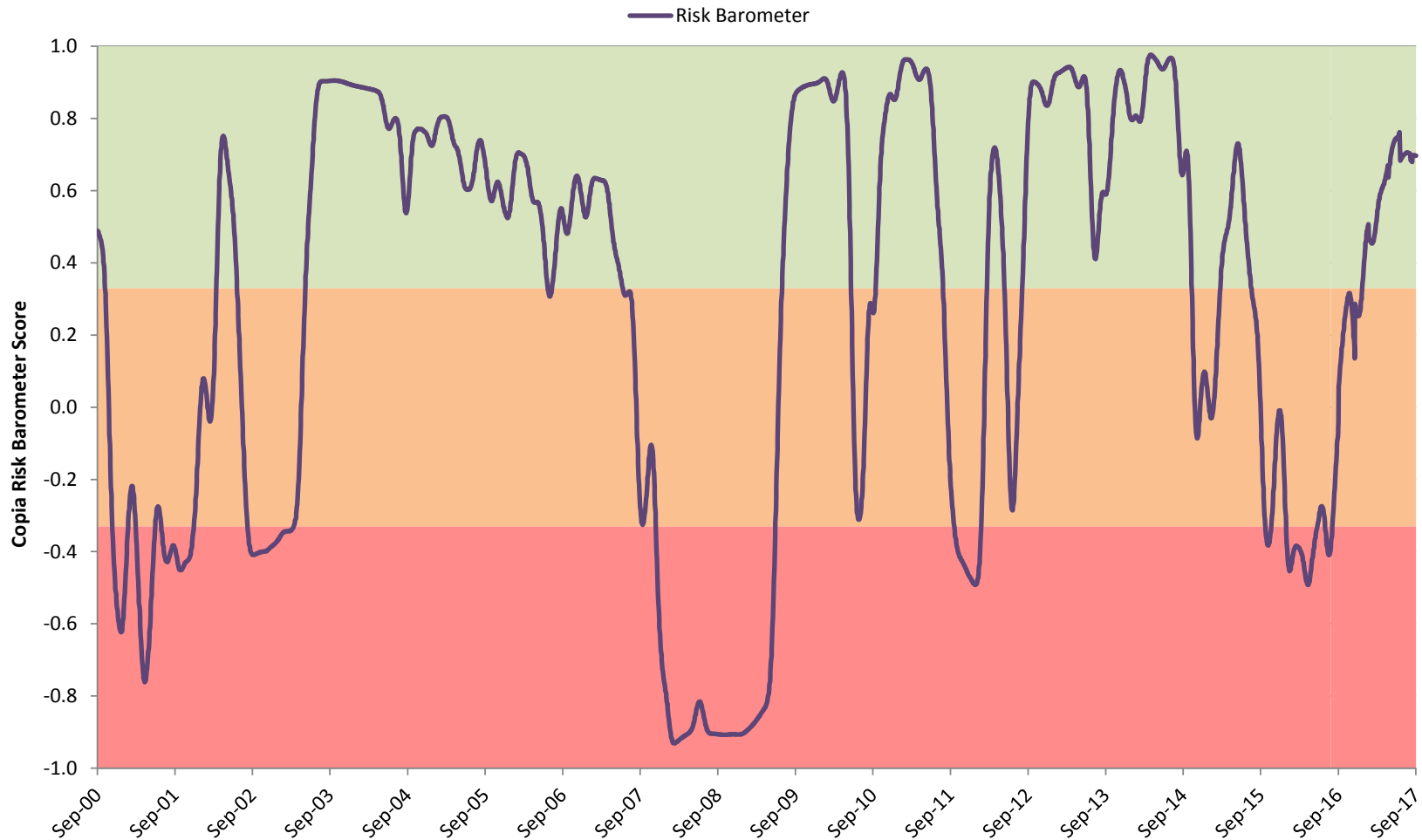
**0.0**

A score of 0 indicates a neutral economic outlook with almost equal probability of positive and negative returns in risky asset classes like equities. The Risk Barometer maintains a balance between equities and other asset classes during such periods.

**+1.0**

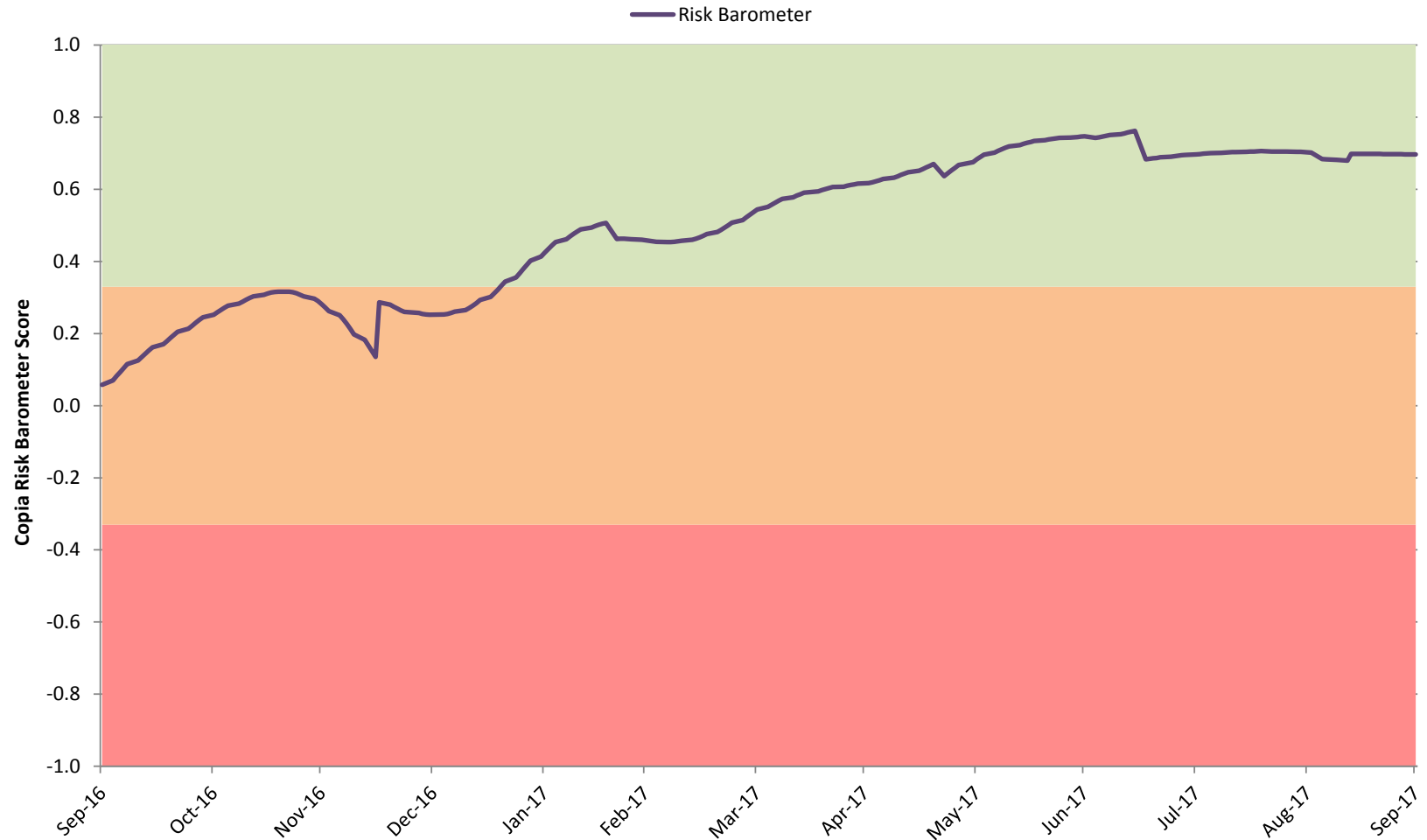
A score of +1.0 indicates an extremely positive economic outlook, which is accompanied by a high probability of positive returns in risky asset classes like equities. These periods are typically expansionary periods in the business cycle. The Risk Barometer tilts our portfolios towards equities during such periods.

# Copia Risk Barometer (Long Term)



Source: Copia Capital Management, as of 30-Sep-2017

# Copia Risk Barometer (last 12m)



Source: Copia Capital Management, as of 30-Sep-2017

Market performance  
Macro update  
Risk barometer  
**Portfolio performance**  
Outcome charts

## Volatility Focus performance table

Copia Volatility Focus					Since	Since	Discrete		
	3 M	6 M	1 Yr	3 Yr	Inception (28-Oct-2013)	Inception (28-Oct-2013) (Annualized)	Year 1 30-Sep-14 to 30-Sep-15	Year 2 30-Sep-15 to 30-Sep-16	Year 3 30-Sep-16 to 30-Sep-17
<b>Model 1</b>	-0.3%	-0.3%	-1.1%	5.2%	6.3%	1.6%	1.2%	5.1%	-1.1%
<b>Model 2</b>	-0.2%	-0.2%	-1.3%	5.4%	5.7%	1.4%	0.4%	6.3%	-1.3%
<b>Model 3</b>	0.5%	1.0%	0.2%	9.1%	12.3%	3.0%	1.8%	6.9%	0.2%
<b>Model 4</b>	0.6%	1.0%	1.4%	12.5%	16.4%	3.9%	2.4%	8.5%	1.4%
<b>Model 5</b>	1.1%	1.7%	2.7%	13.6%	17.0%	4.1%	2.1%	8.4%	2.7%
<b>Model 6</b>	1.0%	1.8%	3.9%	14.5%	17.5%	4.2%	2.8%	7.2%	3.9%
<b>Model 7</b>	1.4%	2.1%	5.3%	16.2%	19.6%	4.7%	2.5%	7.7%	5.3%
<b>Model 8</b>	1.8%	2.5%	6.7%	17.8%	20.6%	4.9%	2.6%	7.6%	6.7%
<b>Model 9</b>	1.7%	2.6%	8.0%	20.1%	23.2%	5.5%	2.5%	8.5%	8.0%
<b>Model 10</b>	1.8%	2.6%	7.7%	19.5%	22.7%	5.3%	2.0%	8.7%	7.7%

*Notes: Returns based on Total return, assuming income is re-invested immediately and rebalanced on due dates. Data as at 30 Sep 2017*

## Smart Beta performance table

Copia Smart Beta	3 M	6 M	1 Yr	3 Yr	Since Inception (14-Mar-2016)	Since Inception (14-Mar-2016) (Annualized)	Discrete
							Year 1 30-Sep-16 to 30-Sep-17
<b>First Trust</b>	4.4%	5.3%	18.1%	#N/A	33.6%	20.6%	18.1%
<b>Dorsey Wright</b>	3.4%	4.7%	18.4%	#N/A	35.0%	21.4%	18.4%

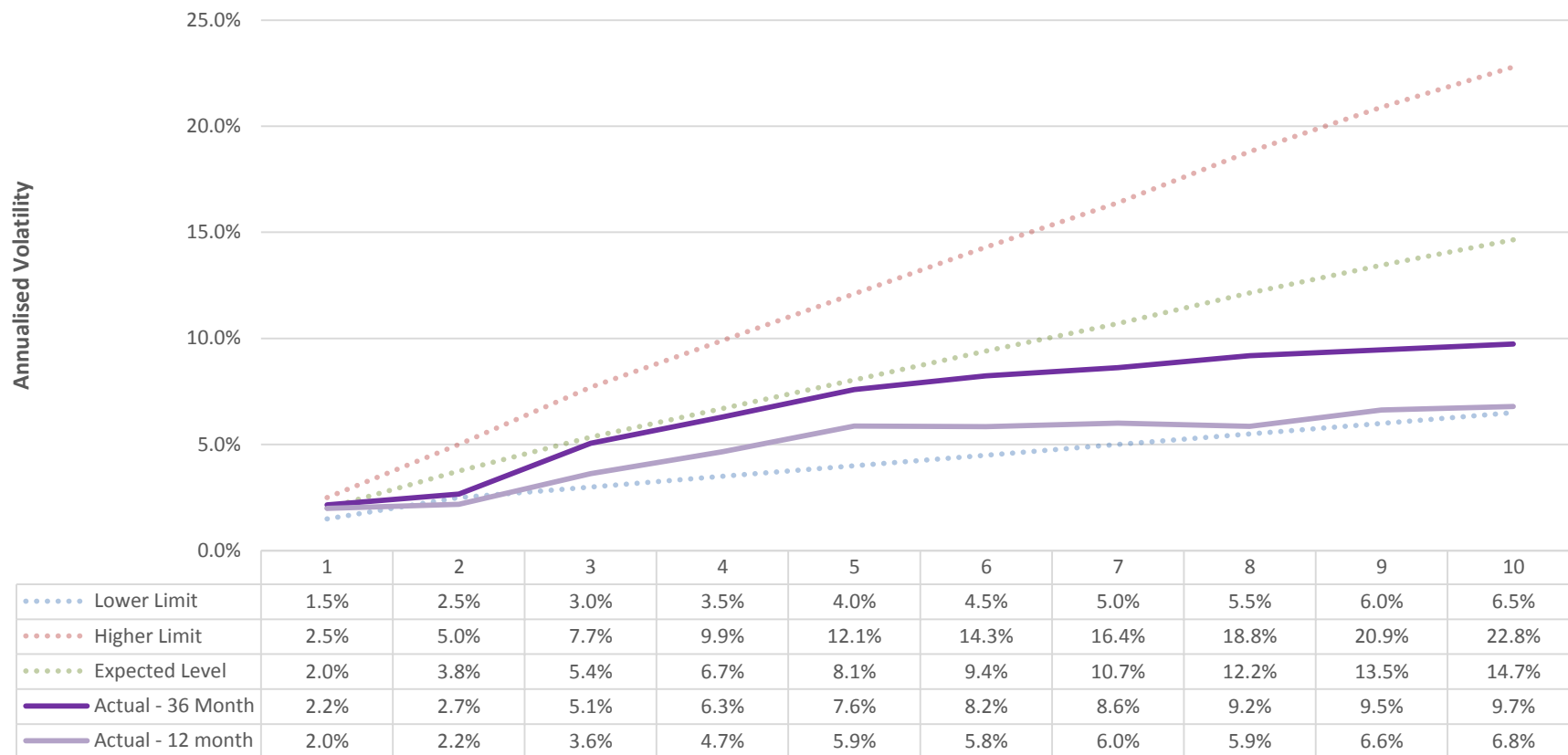
*Notes: Returns based on Total return, assuming income is re-invested immediately and rebalanced on due dates. Data as at 30 Sep 2017*

Market performance  
Macro update  
Risk barometer  
Portfolio performance  
**Outcome charts**



# Volatility Focus: outcome chart

Outcome analysis as at 30<sup>th</sup> September 2017

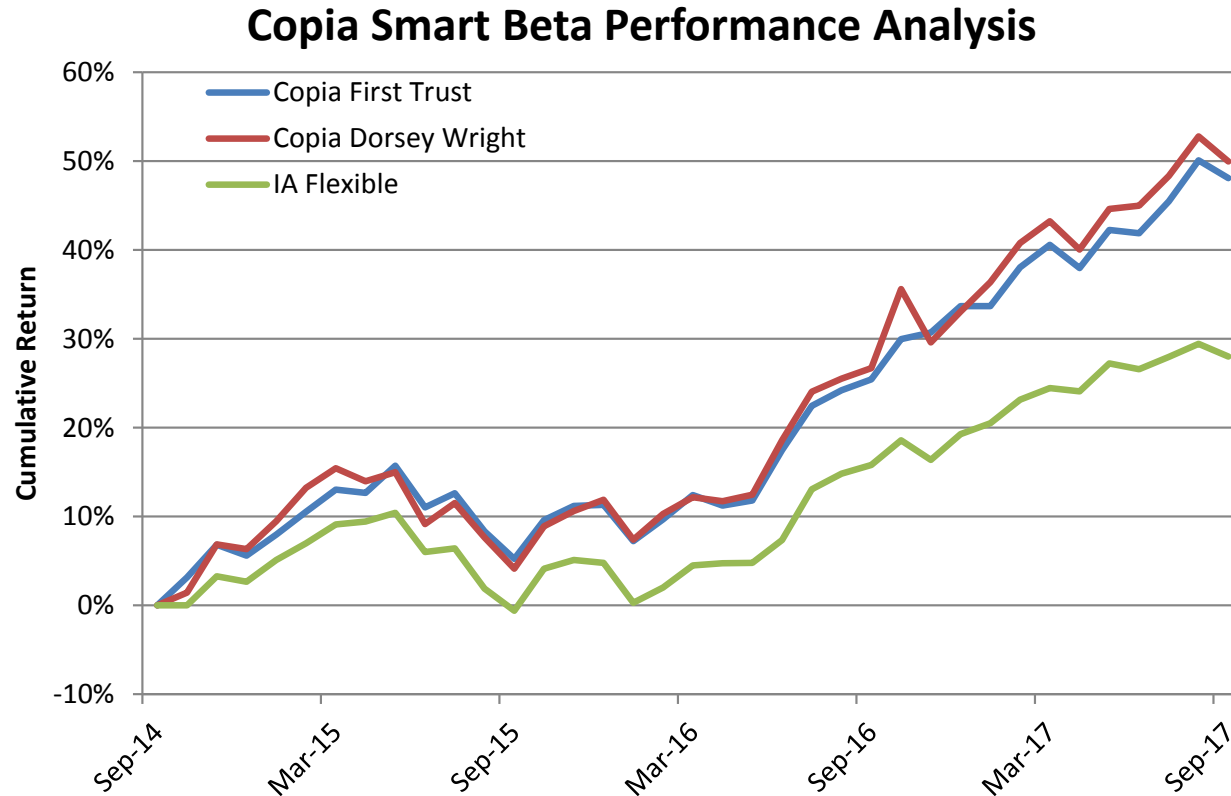


Copia Volatility Focus Portfolios

*For illustration only*

*Returns based on Total return, assuming income is re-invested immediately and rebalanced on due dates.*

Outcome analysis as at 30 September 2017



*For illustration only*

*Returns based on Total return, assuming income is re-invested immediately and rebalanced on due dates. Data as at 30 Sep 2017*

*36 month data combines simulated performance data up to 14-Mar-2016 and remaining live performance data. See notice and disclaimers.*



# Copia Capital Management

## The art of portfolio construction

### Disclaimer

Exchange Traded Funds used in Copia models typically have high share prices. Small investments are unlikely to be able to invest into the asset allocation intended by the quantitative model due to the typically high share prices of ETFs and therefore a small investment may not achieve the investment returns expected.

The performance shown represents the results of the model portfolio managed by Copia Capital Management. Copia model performance and comparisons are shown gross and take no account of the Novia platform charge or Copia Capital Management charge. Individual investor performance will differ due to factors specific to the investors account, trading drag and charges and the effect of Platform, Investment management and Adviser charges.

This illustrative document is intended for investors where advice has been given by Advisers. The value of investments may go down as well as up, investors may not get back the amount invested, figures quoted relate to the past and past performance is not a reliable indicator of future. Models are prepared in accordance with tolerance to risk and not client circumstances and information is from given sources to be reliable and accurate, which Copia cannot warrant for accuracy or completeness.

Copia is a trading name of Novia Financial plc. Novia Financial plc is a limited company registered in England & Wales. Register Number: 06467886. Registered office: Cambridge House, Henry Street, Bath, Somerset, BA1 1JS. Novia Financial plc. is authorised and regulated by the Financial Conduct Authority. Register Number: 481600

© Copia Capital Management 2017 All Rights Reserved

QPU3-1017